

PUBLIC TRUSTEE FOR SASKATCHEWAN

FINANCIAL STATEMENTS

For the Year Ended March 31, 1999



Provincial Auditor Saskatchewan

100-03944/

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V7

Phone: (306) 787-6398
Fax: (306) 787-6383
Internet e-mail: info@auditor.sk.ca

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Public Trustee for Saskatchewan as at March 31, 1999 and the statements of common fund revenue, distributed and undistributed earnings and changes in trust funds for the year then ended. The Public Trustee's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Public Trustee as at March 31, 1999 and the results of its operations and the changes in its trust funds for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
December 8, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

**PUBLIC TRUSTEE FOR SASKATCHEWAN
BALANCE SHEET
As at March 31**

	<u>1999</u>	<u>1998</u>
ASSETS		
Cash	\$ 181,700	\$ 46,284
Due from General Revenue Fund (Note 7)	1,479,335	972,294
Accrued interest receivable	1,209,392	1,305,814
Securities and other assets (Note 4)		
Common fund securities (Notes 2(a) and 3)	123,359,485	121,736,132
Individual trust securities and other assets (Notes 2(b) and 2(c))	<u>9,559,416</u>	<u>10,958,781</u>
	<u>\$ 135,789,328</u>	<u>\$ 135,019,305</u>
LIABILITIES		
Accounts payable		
- client accounts (Note 2(d))	\$ 1,185,865	\$ 1,351,429
- administration fees (Note 5)	<u>2,075,768</u>	<u>1,945,246</u>
Total accounts payable	<u>3,261,633</u>	<u>3,296,675</u>
Funds held in trust for clients		
Client capital and distributed earnings	115,058,215	109,914,307
Undistributed earnings (Statement 2)	<u>17,469,480</u>	<u>21,808,323</u>
Total funds held in trust for clients (Statement 3)	<u>132,527,695</u>	<u>131,722,630</u>
	<u>\$ 135,789,328</u>	<u>\$ 135,019,305</u>

(See accompanying notes to financial statements)

Statement 2

**PUBLIC TRUSTEE FOR SASKATCHEWAN
STATEMENT OF COMMON FUND REVENUE, DISTRIBUTED AND
UNDISTRIBUTED EARNINGS
Year Ended March 31**

	<u>1999</u>	<u>1998</u>
Common Fund Revenue:		
Income from investments	\$ 5,775,823	\$ 6,200,849
Less: Management fees (Note 6)	(205,713)	(197,911)
Bank interest	102,112	47,617
Capital gains and market value appreciation (Note 3)	<u>2,885,946</u>	<u>17,492,027</u>
Total available for distribution (Statement 3)	8,558,168	23,542,582
Undistributed earnings - beginning of year	21,808,323	8,756,436
Earnings distributed during year (Note 3)	<u>(12,897,011)</u>	<u>(10,490,695)</u>
Undistributed earnings - end of year (Statement 1)	<u>\$ 17,469,480</u>	<u>\$ 21,808,323</u>

(See accompanying notes to financial statements)

Statement 3

**PUBLIC TRUSTEE FOR SASKATCHEWAN
STATEMENT OF CHANGES IN TRUST FUNDS
Year Ended March 31**

	<u>1999</u>	<u>1998</u>
Trust funds acquired:		
Client accounts capital		
- cash	\$ 14,609,519	\$ 13,769,095
- non cash assets	---	233,157
Revenue earned on behalf of trusts		
- common (Statement 2)	8,558,168	23,542,582
- individual	40,302	46,844
Pension benefits	11,257,610	11,496,313
Property rentals	713,386	435,991
Miscellaneous	<u>3,176,761</u>	<u>2,406,221</u>
Total trust funds acquired	<u>38,355,746</u>	<u>51,930,203</u>
Trust funds expended:		
Released client accounts		
- cash	18,802,020	17,251,344
- non cash assets	591,670	---
Maintenance and other payments on behalf of clients	15,809,770	16,376,879
Administration fees (Note 5)	<u>2,347,221</u>	<u>2,240,883</u>
Total trust funds expended	<u>37,550,681</u>	<u>35,869,106</u>
Increase in trust funds	805,065	16,061,097
Balance, beginning of year	<u>131,722,630</u>	<u>115,661,533</u>
Balance, end of year (Statement 1)	<u>\$ 132,527,695</u>	<u>\$ 131,722,630</u>

(See accompanying notes to financial statements)

**PUBLIC TRUSTEE FOR SASKATCHEWAN
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Authority

The Public Trustee for Saskatchewan is established under *The Public Trustee Act*. Effective April 1, 1984 the Public Trustee succeeded the Official Guardian appointed pursuant to *The Infants Act* and the Administrator of Estates appointed pursuant to *The Administration of Estates of Mentally Disordered Persons Act*. On November 12, 1992, the Public Trustee also became the official administrator for each judicial centre pursuant to *The Queen's Bench Act*.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following accounting policies:

a) Common Fund Securities

Common fund securities (bonds, debentures and shares) are purchased by the Public Trustee with the cash assets of the estates and are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year end bid and ask prices.

Short term investments are valued at cost, which approximates market value.

Fair value approximates the market value of investments.

Income earned on common fund securities is recorded on the accrual basis of accounting.

b) Individual Trust Securities

Term deposits, bonds and RRSPs are recorded at par value at the date the Public Trustee assumes control of the securities. Reinvestments of individual securities are recorded at cost.

Shares are recorded at the market value at the date the Public Trustee assumes control. Subsequent increases or decreases in market value are reflected in the trust accounts annually. If a market value cannot be determined the shares are recorded at a nominal value of \$1.

c) **Other Assets**

Real estate holdings are recorded at appraised values at the date the Public Trustee assumes control or at cost if real estate is purchased by the Public Trustee on behalf of an individual. The recorded values are subject to periodic revaluation. If no valuation information is available, these assets are recorded at a nominal value of \$1.

Miscellaneous assets are recorded at amounts determined from information available to the Public Trustee at the date the Public Trustee assumes control of the assets. Subsequent adjustments are made if additional valuation information is received. If no valuation information is available, these assets are recorded at a nominal value of \$1.

d) **Accounts Payable - Client Accounts**

These liabilities are settled at such time as client assets are liquidated or become available from other sources.

3. Earnings Distribution - Common Fund

Earnings distribution and the definition of income are set out in *The Public Trustee Regulations*.

The definition of income from Common Fund securities to be distributed to individual trust accounts includes realized and unrealized capital gains or losses. Realized capital gains or losses are determined upon sale of securities. Unrealized capital gains or losses are defined as the difference between the cost value of an investment and its market value at the end of a distribution period.

Realized and unrealized capital gains and losses are distributed semi-annually over a four year period on a straight-line basis.

Received income is distributed semi-annually to the individual trust accounts on September 30 and March 31.

4. Securities and Other Assets

Section 47(1) of *The Public Trustee Act* authorizes the Public Trustee to invest (subject to the approval of the Investment Board) that part of the common fund which in his opinion is not immediately required for the maintenance and education of infants or the management of the affairs of the persons for whom the Public Trustee is guardian.

Individual trust securities consist of investments held by individuals at the date their estates came under control of the Public Trustee and investments subsequently made in the name of individuals by the Public Trustee.

	<u>1999</u>	<u>1998</u>
Common Fund Securities:		
Bonds & debentures at market value:		
Government of Canada	\$ 50,571,638	\$ 41,800,654
Province of Saskatchewan	1,612,821	1,294,467
Other provinces	14,887,291	19,464,323
Corporations	<u>12,815,053</u>	<u>13,148,854</u>
	79,886,803	75,708,298
Greystone Non North American Fund, at market	11,081,861	11,179,971
Other equities, at market	27,970,118	30,716,341
Short term investments, at cost which approximates market value	<u>4,420,703</u>	<u>4,131,522</u>
Total common fund	<u>123,359,485</u>	<u>121,736,132</u>
Individual Trust Securities and Other Assets:		
Term deposits, bonds & RRSPs (cost)	1,651,072	2,070,831
Saskatchewan Pension Plan investments	102,318	92,840
Shares (Note 2(b))	2,471,880	3,283,212
Real estate	4,954,781	4,990,349
Miscellaneous	<u>379,365</u>	<u>521,549</u>
Total individual trust	<u>9,559,416</u>	<u>10,958,781</u>
Total Securities and Other Assets	<u>\$ 132,918,901</u>	<u>\$ 132,694,913</u>

Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Common Fund's assets and liabilities. The value of the assets is affected by short-term changes in nominal interest rates and equity markets.

Credit Risk

Credit risk arises from the potential for an investee to fail. The Public Trustee limits the credit risk by investing in securities considered high quality.

Short Term Investments

These investments are comprised of Canada Treasury Bills and other discount notes with effective interest rates of 4.7% to 4.9%. Maturity dates range from April 1999 to March 2000.

5. Administration Fees

In accordance with *The Public Trustee Regulations*, administration fees respecting dependent adult and infant clients are assessed and subsequently paid to the General Revenue Fund when collected from client accounts. Fees for administering deceased estates are assessed in accordance with *The Official Administrator's Fees Regulations*.

6. Related Party Transactions

a) Administration Costs

In accordance with section 53 of *The Public Trustee Act*, all general administrative and employee costs required for the administration of the Public Trustee are paid out of the General Revenue Fund of the Province of Saskatchewan.

b) Investment Management Services

Greystone Capital Management Inc. (GCMI) provides investment management services to the Public Trustee on a fee-for-service basis. The Public Trustee is a shareholder in GCMI along with several Saskatchewan public sector pension funds and government agencies.

Public Trustee holds 16,393 shares in GCMI which represents 1.7% of the total shares outstanding.

The Public Trustee holds 775,069 units, 1.8% of total units outstanding, in Greystone Non North American Fund, an investment fund investing in foreign markets.

Account balances resulting from the above transactions are included in the statement of common fund revenue, distributed and undistributed earnings, are in the normal course of operations, and are recorded at rates charged by GCMI.

Other transactions with related parties and amounts due to or from them are described separately in the financial statements and the notes thereto.

Subsequent to March 31, 1999 the Public Trustee sold its shares of GCMI, thus GCMI ceased to be a related party.

7. Due from General Revenue Fund

The Public Trustee's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

Earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Public Trustee's bank account using the Government's thirty day borrowing rate and the Public Trustee's average daily bank account balance. The Government's average thirty day borrowing rate for 1998-99 is 5.04% (1997-98 – 3.77%).

8. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Public Trustee's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Public Trustee, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.